

New York Power Authority

Report of the Chief Financial Officer

For the Four Months Ended April 30, 2010

**Report of the Chief Financial Officer
For the Four Months Ended April 30, 2010
Executive Summary**

Results of Operations

Net income for the four months ended April 30, 2010 was \$6.9 million which was \$22.8 million lower than budgeted. Results through April included lower net margins on sales (\$39.3 million) partially offset by lower O&M (\$9.4 million) and higher non-operating income (\$6.3 million). Net margins were lower at Niagara (\$37.7 million) primarily due to lower volumes of market-based sales. Generation at Niagara was 8% lower than the forecast due primarily to lower than anticipated lake levels. In addition, at Niagara, average energy prices for sales into the market were approximately 25% lower than budgeted. O&M expenses were lower primarily due to timing differences related to the 500mw outage (budget assumed April, now scheduled for October) and non-recurring projects at St. Lawrence. Non-operating income included a positive variance (\$6.0 million) resulting from a mark-to-market gain on the Authority's investment portfolio due to a decrease in market interest rates as well as lower costs on variable rate debt.

Year-end Projection

Net income for year-end 2010 is projected to be \$202 million, \$10 million below last month's forecast and \$106 million below the original budget of \$308 million. Two new business issues reflected in this month's update include an unplanned outage at the Flynn project (\$4 million) and a continuation of the hydro rate freeze that has been in effect since last year (\$7.5 million). Overall, lower hydro flows and softer energy and capacity prices in the market continue to drive the year-end variance. The latest forecast reflects 18.9 Twh of hydro generation, well below the original forecast of 20.5 Twh. This decrease in generation, a result of several months of dry weather over the lakes, has an estimated impact on net income of \$67 million. Energy prices are up slightly from last month (3%) but remain significantly below the original forecast (24%), resulting in an estimated impact of \$40 million to annual net income. In the capacity markets, although this month's update reflects an increase in capacity prices, they remain considerably below budget with an estimated net income impact of \$12 million. Several other forecast items continue to partially mitigate the effect of lower generation and prices. These items include: lower debt service expenses (\$8 million) and an increase in the mark-to-market valuation of the portfolio (\$8 million), both due to lower interest rates; as well as a timing delay in the spending plan for renewable energy program support (\$5 million).

Cash & Liquidity

The Authority ended the month of April with total operating funds of \$892 million as compared to \$907 million at the end of 2009. The decrease of \$15 million was primarily attributed to a \$119.5 million voluntary contribution to New York State and scheduled debt service payments, partially offset by positive net cash provided by Operating Activities and the Value Sharing payment of \$72 million received from Entergy on January 15th. Looking forward, we are anticipating the operating fund balance to generally track the lower net income results. The year-end operating fund balance is currently projected to be \$1.03 billion, an increase of \$126 million during the year, but approximately \$103 million below budgeted level.

Energy Risk

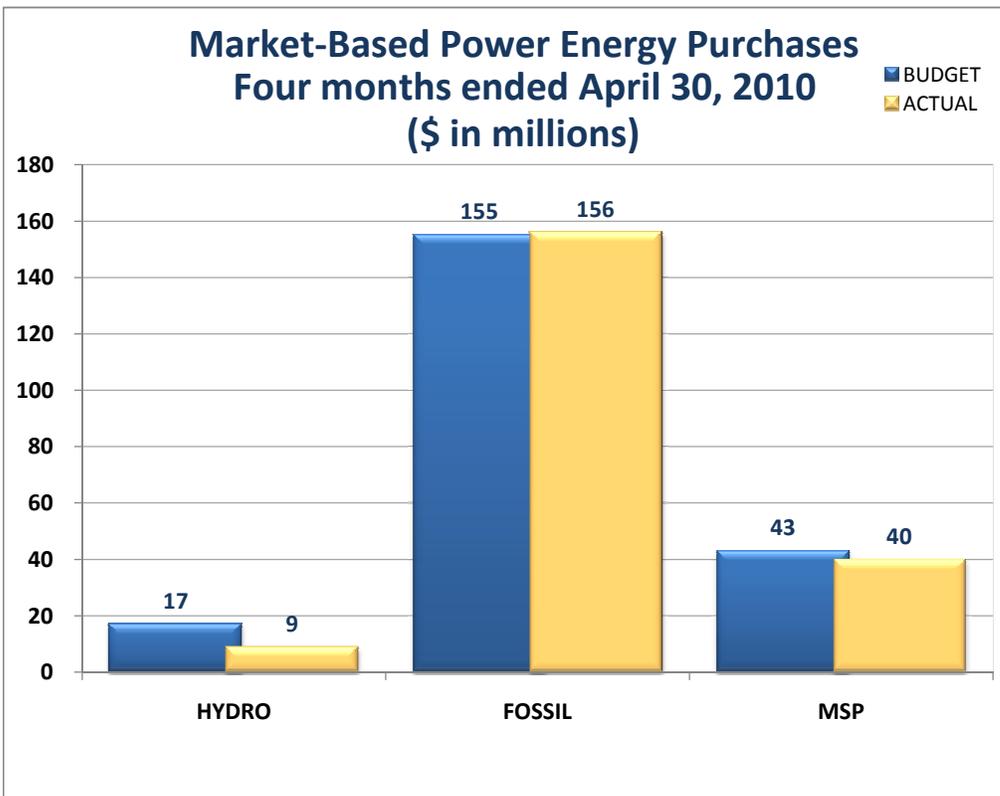
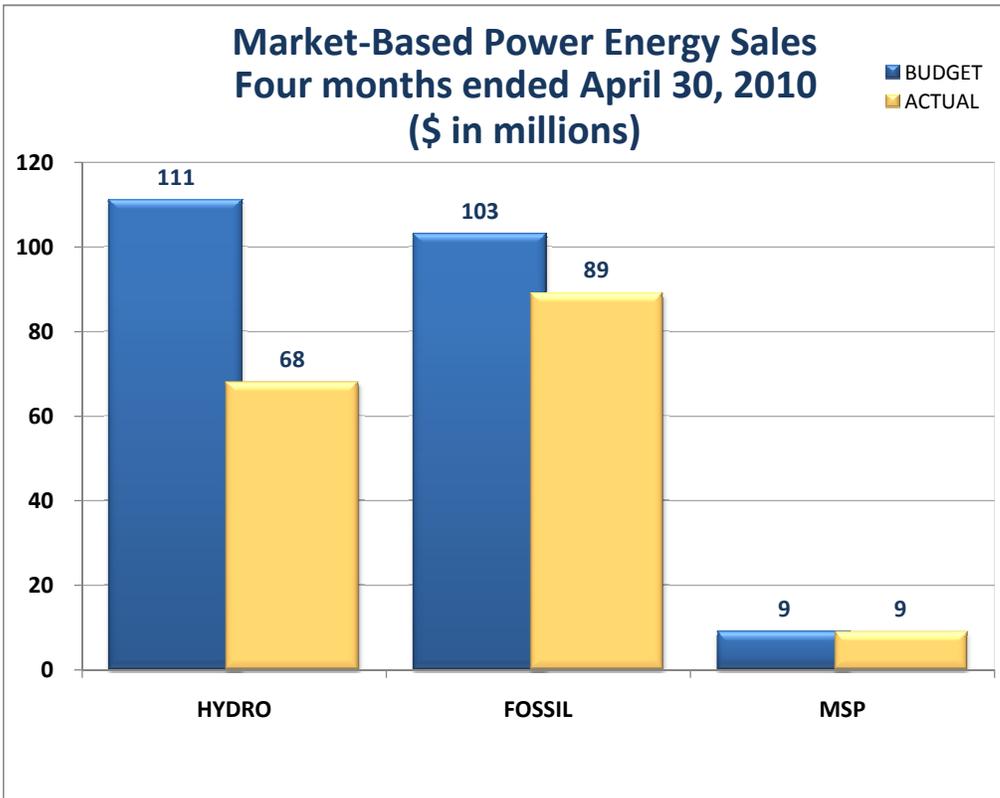
At April 30, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of \$283 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a realized net loss of \$27.9 million.

Net Income
Four Months ended April 30, 2010
(\$ in millions)

	Actual	Budget	Variance
Niagara	\$36.7	\$73.1	(\$36.4)
St. Lawrence	9.9	9.0	0.9
BG	(1.5)	1.8	(3.3)
SENY	20.1	17.5	2.6
SCPP	(2.5)	(3.2)	0.7
Market Supply Power	(11.5)	(12.3)	0.8
Flynn	8.3	5.0	3.3
Transmission	14.0	10.7	3.3
Non-facility*	(66.6)	(71.9)	5.3
Total	\$6.9	\$29.7	(\$22.8)

* Includes a contribution of \$107 to NY State (Actual & Budget).

<u>Major Factors</u>	Better (Worse)
<p><u>Niagara</u> Lower net margins on sales (\$37.7) primarily due to lower volumes available resulting from lower generation (8%). In addition, average energy prices for sales into the market were approximately 25% lower than budgeted (\$36/mwh actual vs. \$47/mwh budgeted).</p>	(\$36.4)
<p><u>St. Lawrence</u> Includes lower O&M due to timing differences in non-recurring projects.</p>	0.9
<p><u>B-G</u> Lower net revenues as a result of lower volumes due to the limited price differential between peak and off-peak energy prices.</p>	(3.3)
<p><u>Flynn</u> Higher net margin on sales primarily due to lower than anticipated fuel costs as a result of lower prices on natural gas and fuel mix.</p>	3.3
<p><u>Transmission</u> Higher revenues (higher congestion rents due to transmission outages) combined with timing differences in O&M and other expenses.</p>	3.3
<p><u>Other facilities</u> Includes lower O&M at SENY due to a timing difference related to 500 MW outage.</p>	4.1
<p><u>Non-facility (including investment income)</u> Primarily positive variance related to a mark-to-market gain (\$6.0) on Authority's investment portfolio due to a decrease in market interest rates.</p>	5.3
Total	(\$22.8)



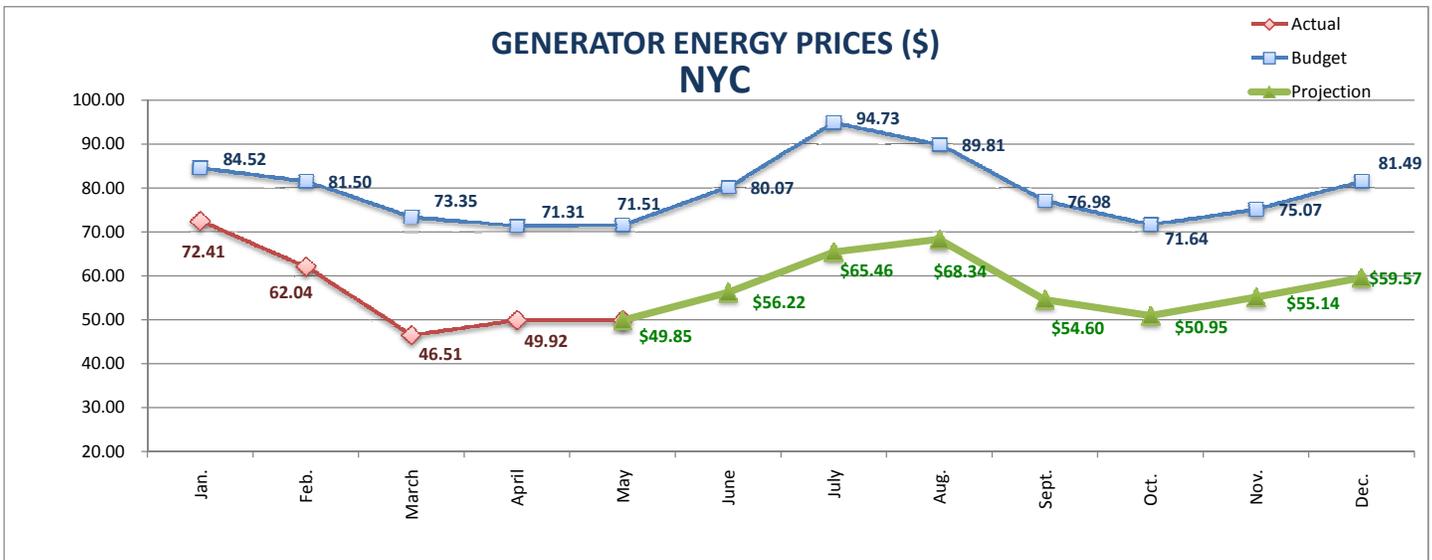
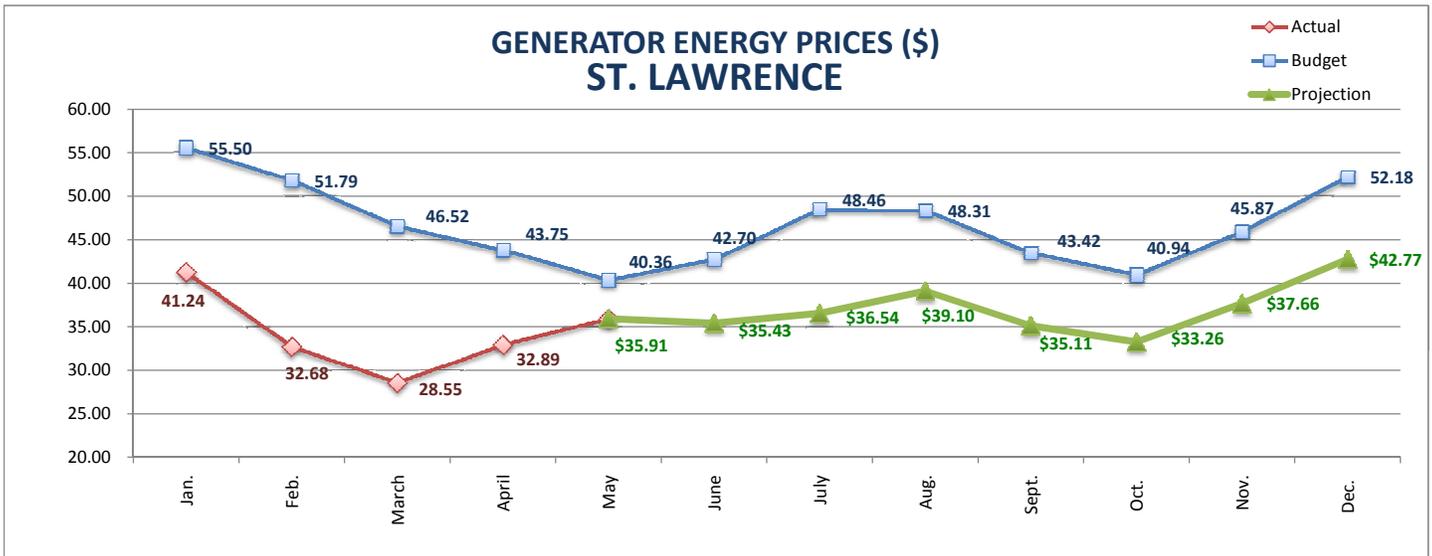
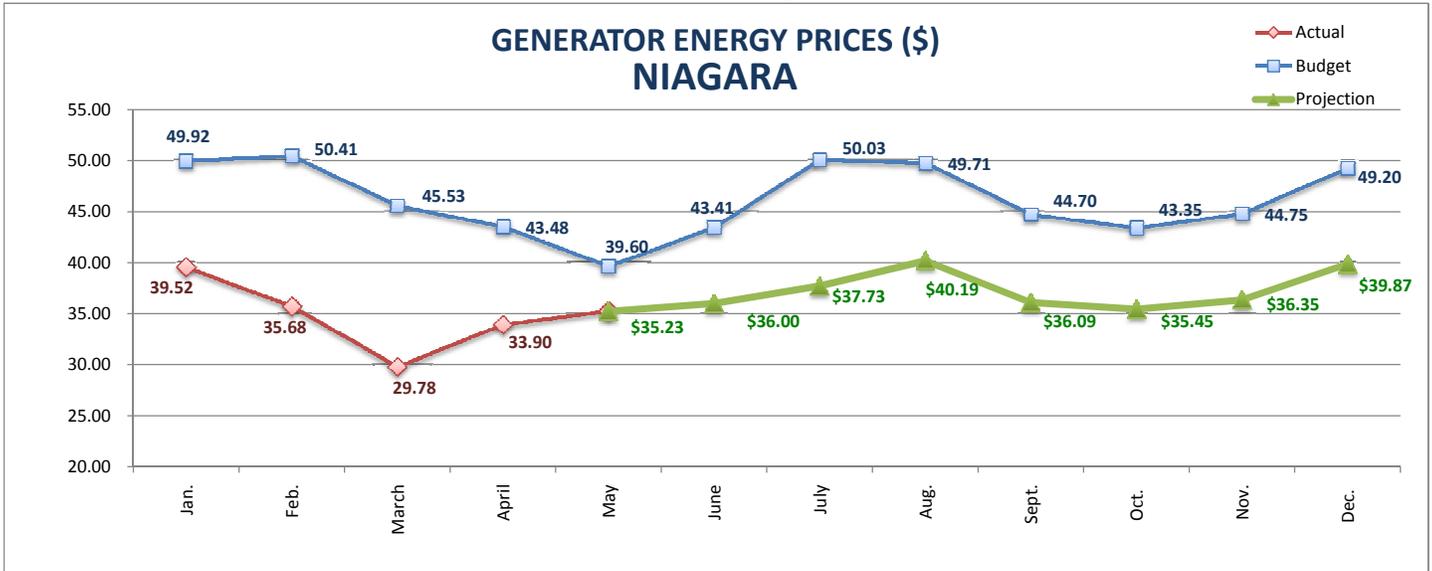
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	1,995,528	1,574,579
Fossil	1,160,449	1,210,214
MSP	193,302	252,720
TOTAL	3,349,279	3,037,513
PRICES (\$/MWH)		
Hydro*	\$55.68	\$43.17
Fossil	\$89.19	\$73.42
MSP	\$44.13	\$37.11
AVERAGE	\$66.63	\$54.72

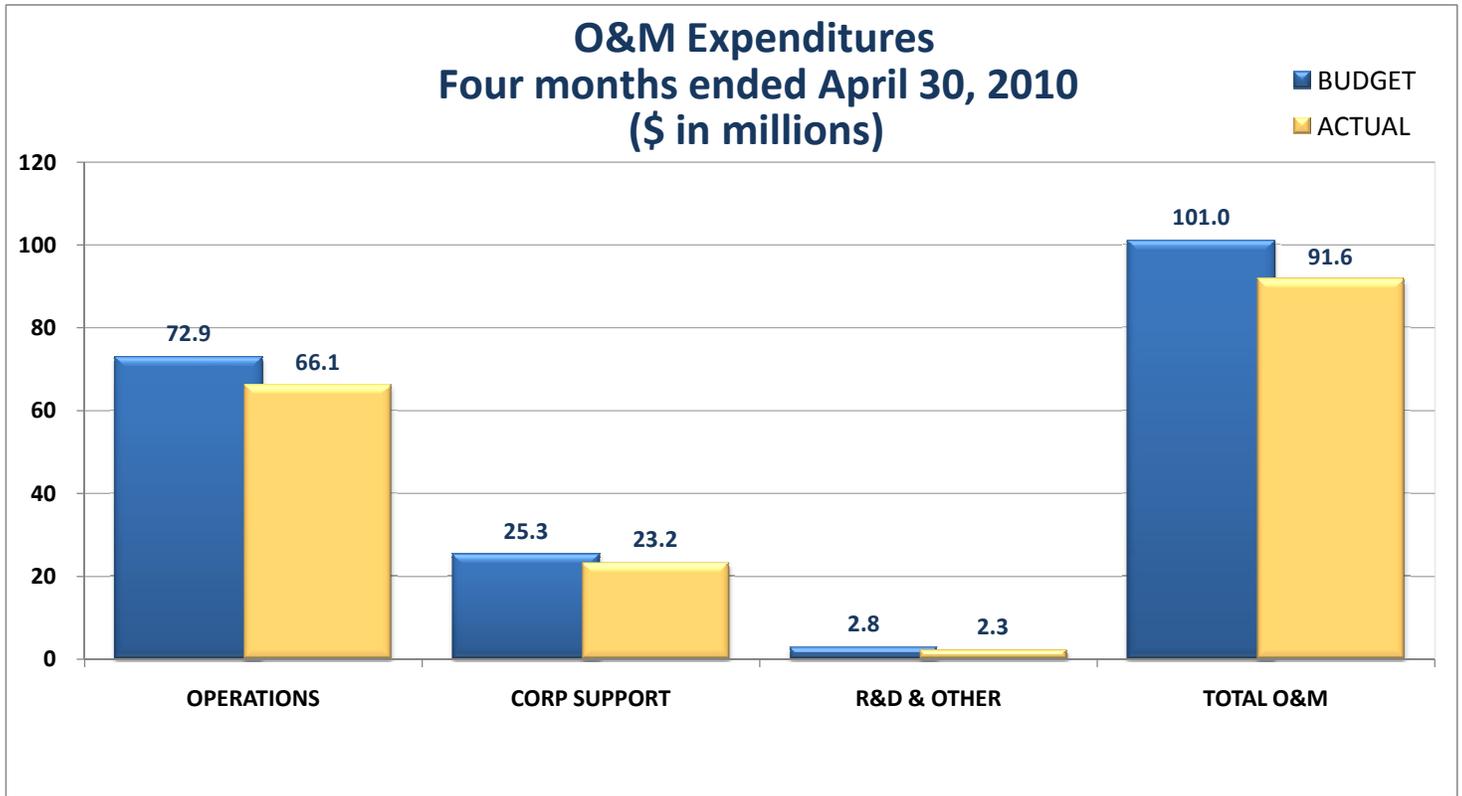
* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,065,300	737,858
St. Law.	626,482	706,815
PRICES (\$/MWH)		
Niagara	\$47.29	\$35.70
St. Law.	\$45.81	\$34.24

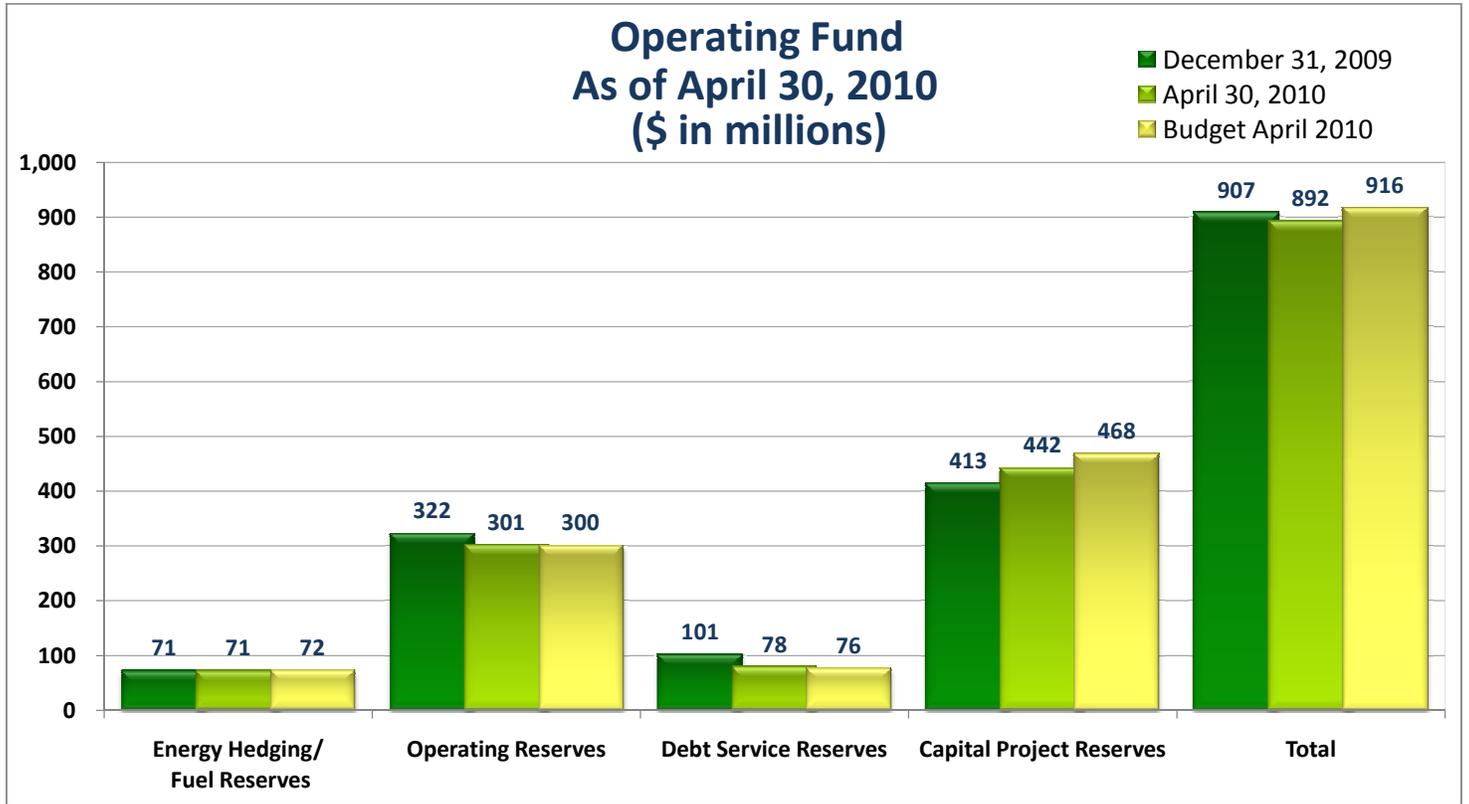
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	517,925	354,540
SENY	2,915,117	3,059,313
MSP	953,201	1,003,371
TOTAL	4,386,243	4,417,224
COSTS (\$/MWH)		
Hydro	\$33.18	\$24.99
SENY	\$53.22	\$50.83
MSP	\$44.79	\$40.31
AVERAGE	\$49.02	\$46.36

RESULTS OF OPERATIONS
Energy Prices
Actual vs Budget

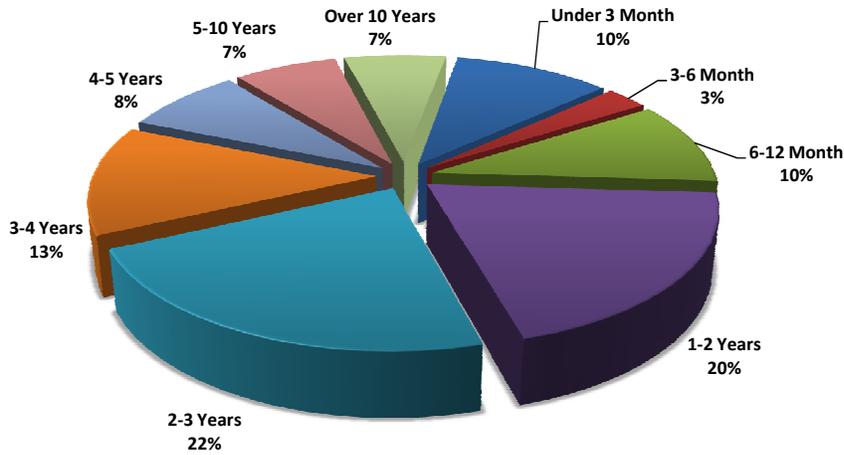




- Through April, O&M expenses were \$9.4 lower than the budget.
- Operations expenditures were \$6.8 lower than budgeted due primarily to timing for contractor services for the 500 MW unit. In addition, through April, there were lower than expected expenditures for non-recurring work at St. Lawrence and recurring maintenance at Flynn and the Transmission facilities.
- Corporate Support expenses were under budget by \$2.1 due mostly to under spending for fuel cell maintenance, legal consultants and payroll due to unfilled vacancies, as well as higher than anticipated rental income.

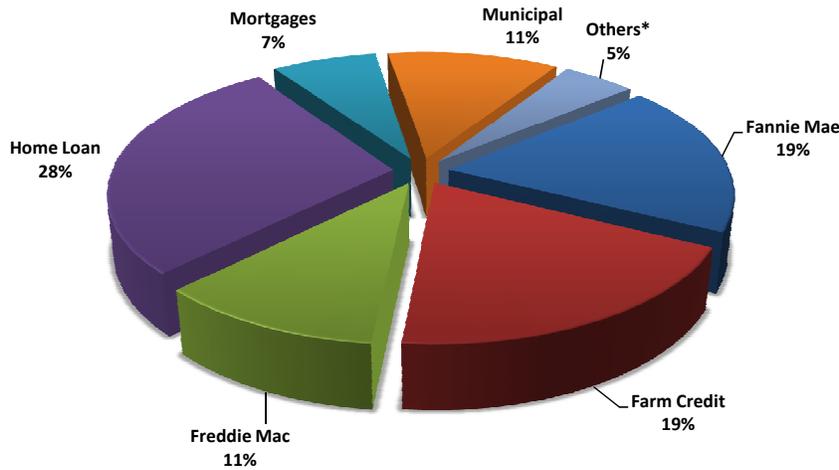


The year-to-date decrease of \$15 in the Operating Fund (from \$907 to \$892) was primarily attributable to a \$119.5 voluntary contribution to New York State and scheduled debt service payments, partially offset by positive net cash provided by Operating Activities and the Value Sharing payment of \$72 received from Entergy in January. The variance from budget is a result of lower net income for the period.

**Maturity Distribution
As of April 30, 2010**

MATURITY DISTRIBUTION

(\$ in millions)

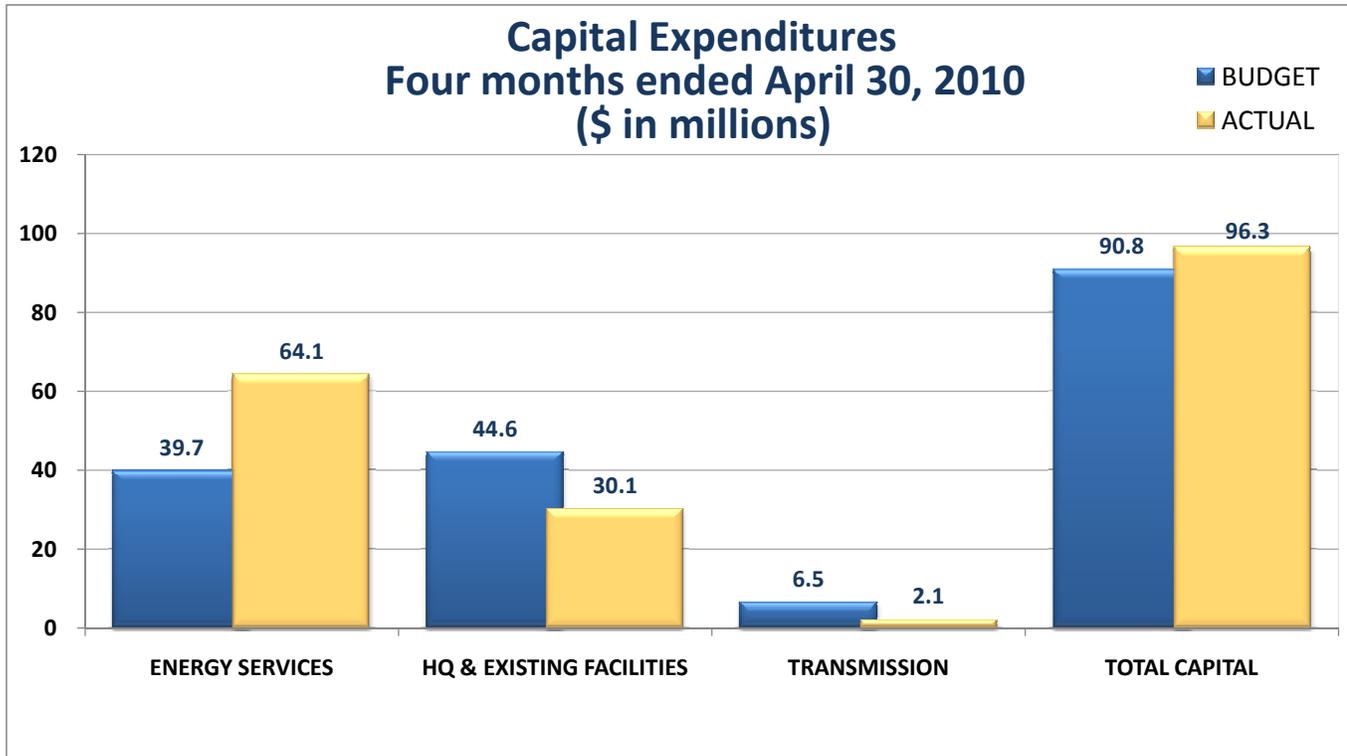
Under 3 Months	\$112.8
3-6 Months	29.7
6-12 Months	107.6
1-2 Years	212.6
2-3 Years	241.0
3-4 Years	141.9
4-5 Years	85.4
5-10 Years	73.9
Over 10 Yrs	72.9
Total	\$1,077.7

**Asset Allocation
As of April 30, 2010**

ASSET ALLOCATION

(\$ in millions)

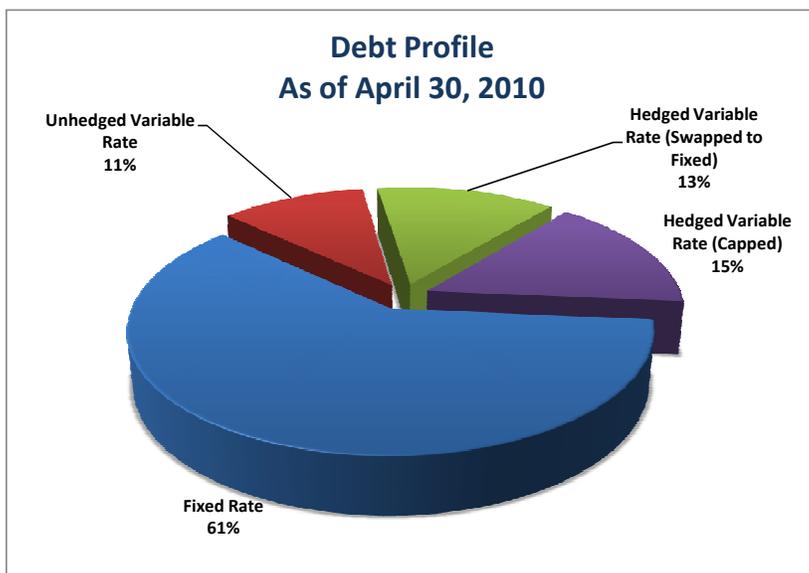
Fannie Mae	\$199.8
Farm Credit	207.1
Freddie Mac	117.1
Home Loan	301.7
Mortgages	75.2
Municipal	124.1
Others*	52.6
Total	\$1,077.7

*Includes CDs and Repos



- Capital expenditures through April were over budget by \$5.5
- Energy Services expenditures exceeded the budget by \$24.4 due to accelerated construction activity related to NYCHA’s Hot Water Storage Tank Replacement and CUNY Central Heating and Cooling Project.
- Lower capital expenditures at HQ and Existing Facilities were primarily due to timing differences related to B-G and St. Lawrence life extension and modernization projects.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$15.9 for the year to date. The following new expenditures were authorized in April:

Astoria Energy Project	\$0.7
Niagara Security Gates Improvements	\$0.6



DEBT PROFILE	
(\$ in millions)	
Fixed Rate	\$1,173.4
Unhedged Variable Rate	\$207.7
Hedged Variable Rate (Swapped to Fixed)	\$257.1
Hedged Variable Rate (Capped)	\$300.0
Total	\$1,938.2

ENERGY DERIVATIVES

Results

Year-to-date financial energy derivative settlements resulted in a net loss of \$27.9 million that was incurred by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. Substantially all of the losses would be subject to cost recovery mechanisms where the resulting hedge settlements would be incorporated into and recovered through Customer rates.

Year-to-Date 2010 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions (\$ in millions)

	Settlements ¹	Fair Market Value			
	YTD	2010	2011	>2011	Total
NYPA	\$ (0.05)	\$ -	\$ -	\$ -	\$ -
Customer Contracts	\$ (27.87)	\$ (77.28)	\$ (73.21)	\$ (132.47)	\$ (282.95)
Total	\$ (27.93)	\$ (77.28)	\$ (73.21)	\$ (132.47)	\$ (282.95)

¹ Based on Updated Final Settlements for March & Preliminary Settlement Figures through April 2010.

At the end of April, the fair market value of outstanding positions was valued at an unrealized loss of \$282.95 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for the balance of 2010 (May to December 2010) and how they have traded since 2009, while Exhibit 2 illustrates the average price of futures contracts for 2011. While higher than expected natural gas storage injections resulted in bearish energy pricing throughout April, weather forecasts calling for warm temperatures during the latter part of the month resulted in increased cooling demand, thereby prompting higher prices.

Exhibit 1: Average May to December 2010 Forward Price as Traded

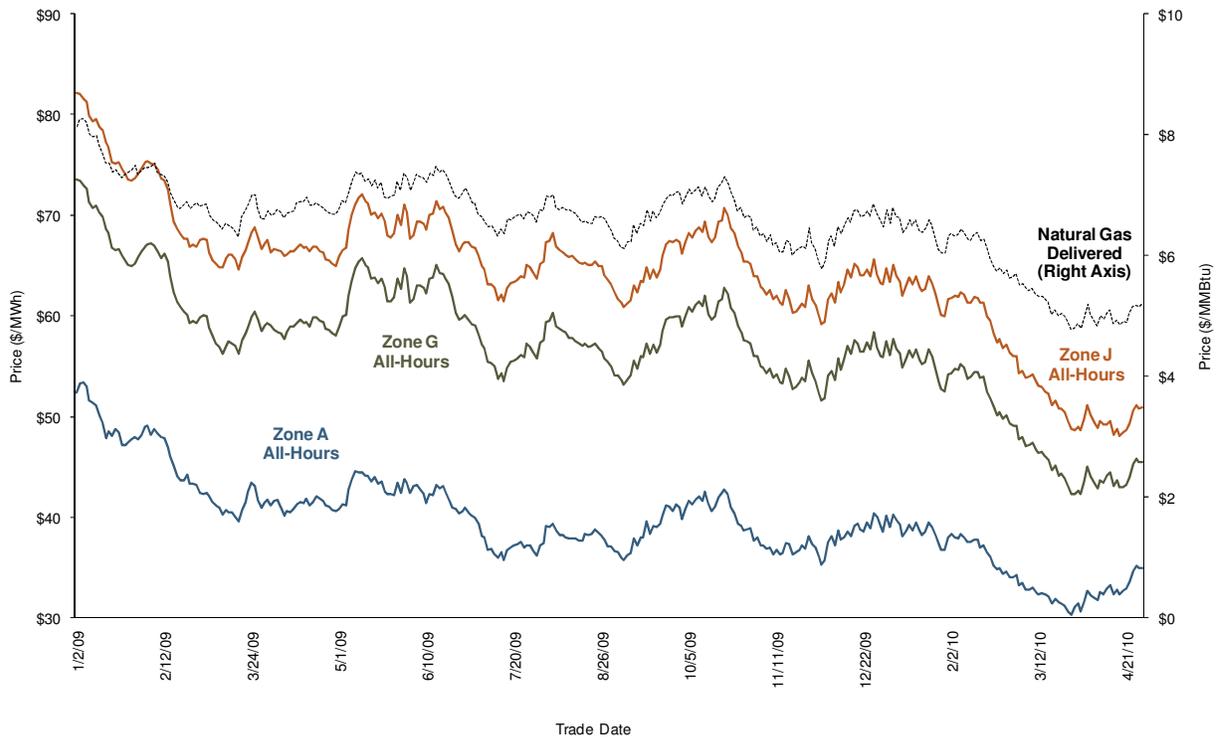
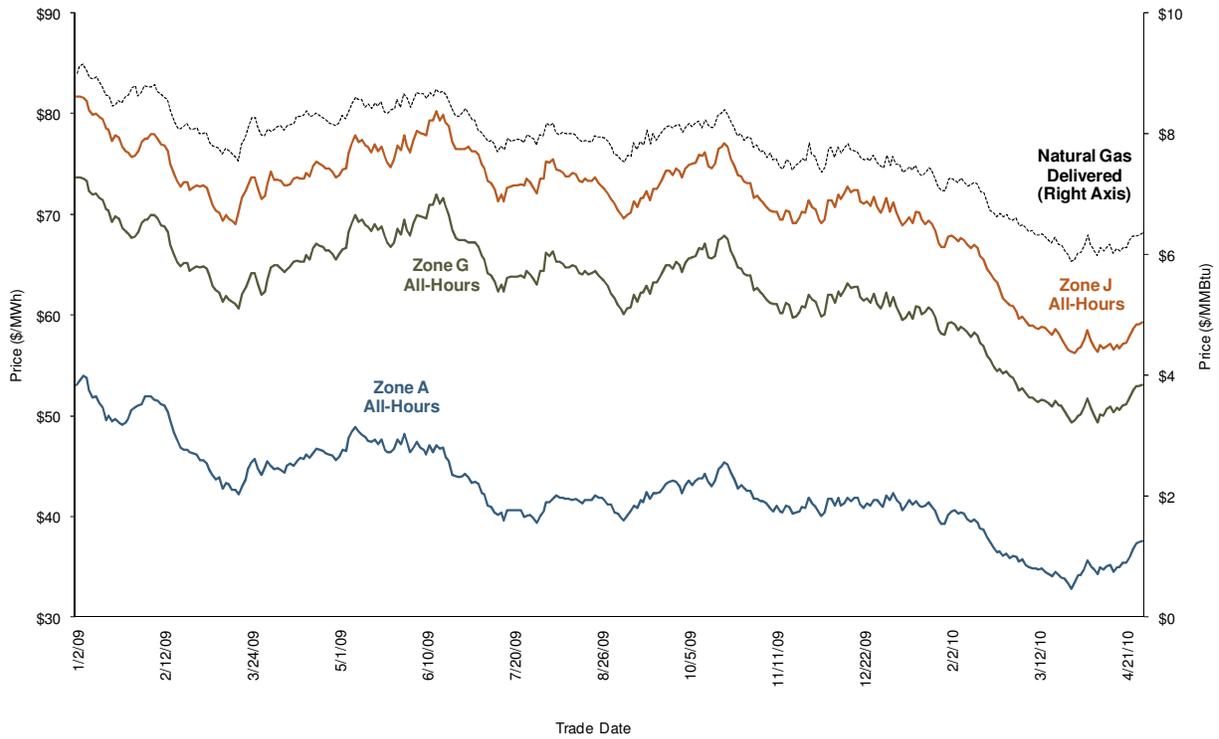


Exhibit 2: Average January to December 2011 Forward Price as Traded



STATEMENT OF NET INCOME
For the Four Months Ended April 30, 2010
(\$ in Millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
\$2,052.0	Customer	\$616.9	\$643.0	(\$26.1)
601.8	Market-based power sales	121.8	165.7	(43.9)
54.4	Ancillary services	13.0	21.7	(8.7)
102.9	NTAC and other	38.4	34.2	4.2
759.1	Total	173.2	221.6	(48.4)
2,811.1	Total Operating Revenues	790.1	864.6	(74.5)
	Operating Expenses			
864.8	Purchased power	252.5	255.1	2.6
340.8	Fuel consumed - oil & gas	88.0	117.3	29.3
91.0	Ancillary services	23.6	29.5	5.9
519.9	Wheeling	143.6	141.0	(2.6)
312.3	Operations and maintenance	91.6	101.0	9.4
160.3	Depreciation and amortization	53.9	53.5	(.4)
141.7	Other expenses	44.7	46.2	1.5
(10.8)	Allocation to capital	(2.6)	(2.9)	(.3)
2,420.0	Total Operating Expenses	695.3	740.7	45.4
391.10	Net Operating Income	94.8	123.9	(29.1)
	Nonoperating Revenues			
88.9	Post nuclear sale income	34.5	34.5	-
53.1	Investment income	13.9	17.6	(3.7)
(5.8)	Mark to market - investments	4.0	(1.9)	5.9
136.2	Total Nonoperating Revenues	52.4	50.2	2.2
	Nonoperating Expenses			
107.0	Contributions to New York State	107.0	107.0	-
112.3	Interest and other expenses	33.3	37.4	4.1
219.3	Total Nonoperating Expenses	140.3	144.4	4.1
(83.1)	Net Nonoperating Income (Loss)	(87.9)	(94.2)	6.3
\$308.0	Net Income	\$6.9	\$29.7	(\$22.8)

**COMPARATIVE BALANCE SHEETS
April 30, 2010**

Assets	April 2010	April 2009	December 2009
Current Assets			
Cash	\$0.1	\$0.1	\$0.1
Investments in government securities	905.4	691.0	913.4
Interest receivable on investments	5.4	5.4	5.8
Accounts receivable - customers	208.1	246.8	158.7
Materials and supplies, at average cost:			
Plant and general	85.0	82.9	82.3
Fuel	17.5	30.2	21.7
Prepayments and other	133.4	310.1	124.4
Total Current Assets	1,354.9	1,366.5	\$1,306.4
Noncurrent Assets			
Restricted Funds			
Investment in decommissioning trust fund	984.2	783.8	942.4
Other	94.3	99.6	94.1
Total Restricted Funds	1,078.5	883.4	1,036.5
Capital Funds			
Investment in securities and cash	172.4	217.6	189.2
Total Capital Funds	172.4	217.6	189.2
Net Utility Plant			
Electric plant in service, less accumulated depreciation	3,304.4	3,357.2	3,347.8
Construction work in progress	165.5	138.5	144.8
Net Utility Plant	3,469.9	3,495.7	3,492.6
Other Noncurrent Assets			
Receivable - NY State	318.0	215.0	318.0
Deferred charges, long-term receivables and other	683.5	429.6	545.6
Notes receivable - nuclear plant sale	132.6	145.0	170.1
Total other noncurrent assets	1,134.1	789.6	1,033.7
Total Noncurrent Assets	5,854.9	5,386.3	5,752.0
Total Assets	\$7,209.8	\$6,752.8	\$7,058.4
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	\$830.8	\$904.7	\$776.5
Short-term debt	293.2	268.1	289.2
Total Current Liabilities	1,124.0	1,172.8	1,065.7
Noncurrent Liabilities			
Long-term Debt			
Revenue bonds	1,191.8	1,232.1	1,192.7
Adjustable rate tender notes	130.5	137.5	137.5
Commercial paper	341.1	421.3	413.3
Total Long-term Debt	1,663.4	1,790.9	1,743.5
Other Noncurrent Liabilities			
Nuclear plant decommissioning	984.2	783.8	942.4
Disposal of spent nuclear fuel	215.9	215.6	215.8
Deferred revenues and other	395.0	202.1	270.5
Total Other Noncurrent Liabilities	1,595.1	1,201.5	1,428.7
Total Noncurrent Liabilities	3,258.5	2,992.4	3,172.2
Total Liabilities	4,382.5	4,165.2	4,237.9
Net Assets			
Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
Net Income	6.9	20.8	253.6
Total Net Assets	2,827.3	2,587.6	2,820.5
Total Liabilities and Net Assets	\$7,209.8	\$6,752.8	\$7,058.4

SUMMARY OF OPERATING FUND CASH FLOWS
For the Four Months Ended April 30, 2010
(\$ in millions)

Operating Fund	
Opening	\$906.8
Closing	891.6
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Increase/(Decrease)	(15.2)
 Cash Generated	
Net Operating Income	94.8
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	53.9
Net Change in Receivables, Payables & Inventory	(18.0)
Other	(1.9)
 Net Cash Generated from Operations	 128.8
 (Uses)/Sources	
Utility Plant Additions	(25.5)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(5.4)
ART Notes	(7.3)
Investment Income	8.9
Energy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(119.5)
Other	.4
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Total (Uses)/Sources	(144.0)
 Net Decrease in Operating Fund	 (15.2)